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Outlook for Reagan-Nakasone Meeting

Speculation is rampant in Washington as President Reagan and Prime Minister Yasuhiro Nakasone prepare for their January 2 meeting in California. Interest centers on the specific issues they might tackle and the depth of any agreements that might result. At this point, it appears that the sessions will fall under the "working meeting" label, providing some room for discussions over particulars in U.S.-Japan trade and political relations, but not enough to reach agreement on many issues that are sore points with U.S. trade negotiators.

The prime minister and president first met face-to-face in January 1983, when Mr. Nakasone journeyed to Washington in a wave of anticipation and publicity. He preceded his call on Mr. Reagan with an announcement that Japan would lift its ban on exports of dual-use technologies to the United States to enhance exchanges that would have both commercial and military applications.

Trade and Payments Data
(in millions of dollars unless otherwise indicated)

	1982	1983	January-October 1983	January-October 1984	August 1984	September 1984	October 1984
Japan's Balance of Payments							
Trade Balance	$ 18,079	$ 31,454	$25,670	$35,454*	$ 2,221*	$ 5,220*	$ 4,504*
Exports (f.o.b.)	137,663	145,468	118,384	138,891*	13,178*	14,484*	14,778*
Imports (f.o.b.)	119,584	114,014	92,714	103,437*	10,957*	9,264*	10,274*
Current Account Balance	6,850	20,799	16,792	27,466*	1,231*	4,348*	3,889*
Long-Term Capital (net)	-14,969	-17,700	-14,471	-36,662*	-3,183*	-2,189*	-4,021*
Overall Balance	-4,971	5,177	3,062	-11,929	-3,435	2,777	-274
International Reserves (end of period)	23,262	24,496	24,665	25,702	25,428	25,444	25,702
Japan's Customs Clearance Trade							
Trade Balance	6,900	20,534	16,389	25,914*	1,113	4,493	3,586*
Exports (f.o.b.)	138,831	146,928	119,296	140,181*	13,314	14,644	14,896*
Cars	18,015	19,535	16,113	18,266*	1,564	1,855	1,834*
Steel	15,645	12,843	10,432	11,298*	1,120	1,207	1,214*
Imports (c.i.f.)	131,931	126,393	102,908	114,266*	12,201	10,150	11,310*
Crude Oil	46,274	40,063	32,241	32,982*	3,701	2,650	3,079*
Japan-U.S. Trade							
Trade Balance	12,151	18,181	13,993	26,756*	2,438	3,311	3,230*
Exports (f.o.b.)	36,330	42,829	34,144	49,223*	4,848	5,346	5,508*
Imports (c.i.f.)	24,179	24,648	20,151	22,467*	2,410	2,034	2,278*
Yen-Dollar Exchange Rate							
Tokyo Spot Market (end of period)	Y235.00	Y232.20	---	---	Y241.30	Y245.50	Y245.25
U.S.-Japan Trade							
Trade Balance	-16,778	-19,289	-15,637	-29,108	-3,179	-3,172	-3,203
Exports (f.a.s.)	20,966	21,894	17,714	19,289	1,906	1,768	1,872
Industrial Supplies	9,173	8,734	7,062	7,447	731	689	728
Food and Feed	4,971	5,555	4,583	4,962	534	468	384
Capital Goods	4,434	5,116	3,994	4,578	418	385	514
Consumer Goods	1,356	1,394	1,171	1,245	129	130	130
Imports (Customs)	37,744	41,183	33,351	48,397	5,085	4,940	5,075
Automotive Products	12,890	14,919	12,077	15,653	1,604	1,471	1,538
Industrial Supplies	6,795	5,391	4,384	6,193	625	624	650
Consumer Goods	7,842	8,296	6,691	9,549	1,055	1,006	1,083
Capital Goods	9,530	11,896	9,632	16,300	1,734	1,773	1,723

*Preliminary

Japanese Economic Indicators

(percentage change from year-earlier period unless otherwise indicated)

	1982	1983	January-September 1983	January-September 1984	July 1984	August 1984	September 1984
Discount Rate (end of period)	5.5%	5.0%	5.5%	5.0%	5.0%	5.0%	5.0%
Outstanding Money Supply	9.2%	7.4%	7.4%	7.8%	7.7%	7.7%	8.1%
Industrial Production	0.3%	3.6%	1.8%	11.3%	12.8%	11.0%	8.6%
Manufacturing Operating Rate	-2.9%	1.6%	-0.3%	9.1%	9.6%	8.8%	5.8%
Number of Bankruptcies	-2.8%	11.9%	10.4%	12.1%	14.3%	4.7%	-3.6%
Residential Construction Starts	-0.5%	-0.8%	-1.5%	4.4%*	6.3%	4.3%	3.8%*
Job Openings to Applications (ratio)	0.61	0.60	0.59	0.64	0.64	0.64	0.64
Nominal Wages	4.5%	3.5%	3.8%	4.4%	4.0%	3.5%	4.5%
Labor Productivity	1.0%	4.6%	1.8%**	10.7%**	11.6%	n.a.	n.a.
Wholesale Prices	1.8%	-2.2%	-1.9%	-0.5%	0.0%	0.2%	0.3%
Consumer Prices	2.7%	1.9%	1.9%	2.2%	2.6%	1.9%	2.3%
Yen-Based Export Prices	3.9%	-6.0%	-5.9%	-0.1%	1.7%	1.1%	1.7%
Yen-Based Import Prices	7.9%	-7.8%	-6.0%	-4.4%	-2.1%	-3.5%	-3.1%

*Preliminary

**Through July of each year only.

For Japan's most recent GNP figures, see JEI Report No. 47B, December 14, 1984.